

04-01

# **DMA ADMINISTRATIVE LETTER NO. 16-02**

## **ADDENDUM 1**

**DSS ADMINISTRATIVE LETTER NO. ECONOMIC INDEPENDENCE  
(WORK FIRST AND FOOD STAMPS) 04-2002**

**DSS ADMINISTRATIVE LETTER NO. ADULT AND FAMILY SERVICES 02-2002  
DIVISION OF AGING, ADULT SOCIAL SERVICES SECTION ADMINISTRATIVE  
LETTER 04-1**

**TO: COUNTY DIRECTORS**

**ATTENTION: INCOME MAINTENANCE DIRECTORS  
MEDICAID CASEWORKERS AND SUPERVISORS  
WORKFIRST CASEWORKERS AND SUPERVISORS  
FOOD STAMP CASEWORKERS AND SUPERVISORS  
SPECIAL ASSISTANCE CASEWORKERS AND SUPERVISORS  
SECURITY CONTROL OFFICERS  
FRR/BEER CONTROL OFFICERS**

**DATE: February 15, 2004**

**SUBJECT: SECURITY OF INTERNAL REVENUE SERVICE (FRR) AND  
SOCIAL SECURITY ADMINISTRATION INFORMATION (BEER)**

### **I. GENERAL**

The purpose of this letter is to provide updated information concerning the requirements for using and securing Federal Tax Information (FTI) received from the IRS and the SSA. The changes in this letter are effective immediately.

The changes include:

- A. Additional information needed on the Internal Inspection form about the destruction process**
- B. A revised log of who has accessed FRR/BEER reports.**
- C. Definitions for "Return" and "Return Information".**
- D. Labeling of storage areas.**
- E. Retention of the FRR and BEER reports.**
- F. Changes to the original Administrative Letter**

These modifications are a result of the IRS Safeguard Review completed in February 2003.

## II. INTERNAL INSPECTION FORM

One question has been added to the Internal Inspection form (Attachment I). The Medicaid Program Representative (MPR) completes the internal inspection form annually.

**Question (13.c):** Are the FRR/BEER reports destroyed in the presence of county dss staff? (If NO, please provide a narrative of the county's destruction process.)

The above question was added because it is not only important that the FRR/BEER reports are destroyed, but that a county dss employee is present during the destruction process. For example, if your county uses a contractor to shred or incinerate all your paper reports and the contractor picks up the shred material and takes it off site to destroy, then a county dss employee must accompany them until the reports are destroyed.

IRS Publication 1075 states:

"Federal Tax Information (FTI) must never be disclosed to an agency's agents or contractors during disposal unless authorized by the Internal Revenue Code." (IRS Publication 1075, page 31, 8.4)

## III. ACCESS/DISTRIBUTION LOG

### A. Changes to the Log

Since Federal Tax Information received from the IRS is distributed to several different program areas, the IRS requested that a column be added to the log indicating in which program area (MA, SA, FS, or WF) the reports are used (Attachment IV).

### B. Updating the Log

Because of the sensitive nature of the data being handled, it is important that both the access/distribution log (Attachment IV) and destruction log (Attachment V) be updated immediately after the reports are distributed, received back, or destroyed. If any reports are missing you will know immediately instead of several weeks or months later.

#### **IV. DEFINITIONS**

"Each agency receiving Federal Tax Information (FTI) should have an awareness program that annually notifies all employees having access to FTI of the confidentiality provisions of the Internal Revenue Code (IRC), a definition of what "returns" and "return information" is, and the civil and criminal sanctions for unauthorized inspection or disclosure" (IRS Publication 1075, Page 28, 7.2).

Make sure each worker receives a copy of the definitions in Attachment VIII during the safeguard awareness training.

#### **V. LABELING STORAGE AREAS**

Any location in the agency where FTI is stored must be marked as containing FTI. Please label any file cabinets or storage area with Attachment VII.

#### **VI. RETENTION OF THE FRR AND BEER REPORTS**

Based on the most recent issue of the DHHS records retention schedule, the FRR and BEER reports must be maintained to match the case record retention schedule as published by DHHS. The following retention schedule documents can be viewed at <http://www.dhhs.state.nc.us/control1/>.

Records Retention and Disposition Schedule Memorandum  
Records Retention and Disposition Schedule Spreadsheet

As of November 2003, FRR/BEER data is being stored on tape. You must continue to keep 2 years of FRR/BEER reports on paper, but may now begin destroying the paper copies older than 2 years. If your county office were to need FRR/BEER data that is more than 2 years old, contact DMA EIS at 919-857-4019.

#### **VII. FRR/BEER SAFEGUARD AWARENESS TRAINING**

##### **A. New Employees**

FRR/BEER Safeguard Awareness Training must be completed with each new employee who will have access to FTI. The documentation of annual security training (Attachment III) must be signed and a copy given to the MPR when the Internal Inspection is completed.



## **VII. (CONT'D)**

### **B. Annual Training for All Employees**

Beginning in 2004, please complete the annual security training between January 1 and March 31 of each year. By doing so, the entire state performs their training the same time each year and the documentation of annual security training forms are finished when the MPRs visit your county for the Internal Inspection.

FRR/BEER Safeguard Awareness Training must be completed annually with all employees who have access to FTI. Provide the MPR with a copy of the documentation of annual security training (Attachment III).

**NOTE:** Please make sure the most current documentation of annual security training form is used.

### **C. ONLINE TRAINING**

[http://www.dhhs.state.nc.us/dma/frrbeer/safeguardtrain\\_files/frame.htm](http://www.dhhs.state.nc.us/dma/frrbeer/safeguardtrain_files/frame.htm)

The URL above is a link to an online PowerPoint show that may be used for the Annual Safeguard Awareness Training. Copies of all required documents must still be given to each worker at the time of training and all workers must still sign the documentation of annual security training.

## **VIII. ADMINISTRATIVE LETTER MAINTENANCE**

### **A. Please add the following text to section IV.C.1 in the original administrative letter:**

The following text is being added to match the wording of the sample letter provided in the original Administrative Letter (Attachment VI).

"The IMC may send a blank DSS-3431 for the client's signature with the original request. Do not include the name of the financial institution, account number, or any other information from the FRR/BEER report."

### **B. Remove the following attachments in the original administrative letter and insert the updated document attached to this addendum:**

1. Attachment I
2. Attachment IV
3. Attachment VI

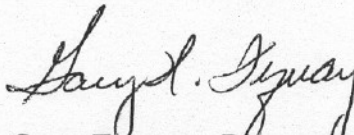
**VIII. (CONT'D)**

**C. Insert the following attachments in the original administrative Letter.**

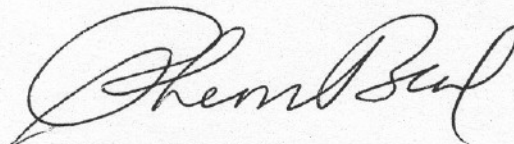
1. Attachment VII
2. Attachment VIII

If you have any questions regarding this information, please contact your Medicaid Program Representative.

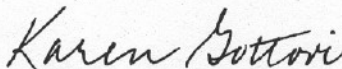
Sincerely,



Gary Fuquay, Director  
Division of Medical Assistance



Pheon Beal, Director  
Division of Social Services



Karen Gottovi, Director  
Division of Aging

(This material was researched and prepared by Ken Maddox, IEVS Coordinator, DMA/EIS Unit.)

# ATTACHMENT I

The Medicaid Program Representative (MPR) for each county completes this form annually.

COUNTY NO. \_\_\_\_\_ COUNTY NAME \_\_\_\_\_

## REPORT OF INTERNAL INSPECTION ON FINANCIAL RESOURCE REPORT (FRR) BENEFICIARY EARNINGS EXCHANGE REPORT (BEER)

1. Are the Financial Resource Reports (FRR) and Beneficiary Earnings Exchange Reports (BEER) sent unopened to the control person from the mailroom?  
\_\_\_\_\_ yes \_\_\_\_\_ no Comments:
2. Are the control copies of the FRR and BEER kept in locked storage except when in actual use?  
\_\_\_\_\_ yes \_\_\_\_\_ no Comments:
3. Are there two levels of security for access to the area where the FRR and BEER reports are stored?  
\_\_\_\_\_ yes \_\_\_\_\_ no Comments:
4. Do the IM caseworkers keep their work copies of the FRR and BEER in a locked desk or file cabinet when they are out of their office, or return them to the control officer?  
\_\_\_\_\_ yes \_\_\_\_\_ no Comments:
5. Are the FRR and BEER sheets kept separately from the client case records?  
\_\_\_\_\_ yes \_\_\_\_\_ no Comments:
6. Are carbon copies of verification requests secured in a similar manner to the FRR and BEER?  
\_\_\_\_\_ yes \_\_\_\_\_ no Comments:
7. Are all copies of the individual sheets of the FRR and BEER returned to the control person for storage once the IM caseworkers have completed their verification?  
\_\_\_\_\_ yes \_\_\_\_\_ no Comments:
8. Is a log maintained by the control person showing all individuals who view the FRR and BEER and the date and purpose?  
\_\_\_\_\_ yes \_\_\_\_\_ no Comments:
9. Does your review of this log show that only person directly involved in determining eligibility had access to the FRR and BEER?  
\_\_\_\_\_ yes \_\_\_\_\_ no Comments:
10. After workers have completed their verifications, are copies of the FRR and BEER and copies of verification letters sent with information obtained from the FRR and BEER safeguarded until destruction?  
\_\_\_\_\_ yes \_\_\_\_\_ no Comments:
11. Have Internal Revenue Code Sections 7213(a), 7213A, and 7431 been reviewed with each new employee and at least annually with all employees who have access to FRR and BEER data?  
\_\_\_\_\_ yes \_\_\_\_\_ no Comments:

(Attach a list of all employees, including new employees, who have received this training since the last review. Ensure all new workers are given copies of the IRS Code Sections 7213(a), 7213A, and 7431.)



12. Has corrective action been taken on any "no" answers above?  
\_\_\_\_\_ yes \_\_\_\_\_ no Comments:
13. If any control copies or individual copies of any FRR and BEER have been destroyed since your last security report, complete the following information:

a. Please indicate method of destruction

\_\_\_\_\_ Shredding  
\_\_\_\_\_ Incineration

b. "Run Date" of Destroyed FRR/BEER Reports (Please attach documentation):

FROM \_\_\_\_\_ THROUGH \_\_\_\_\_

c. Are the FRR/BEER reports destroyed in the presence of county dss staff?  
(If NO, please provide a narrative of the county's destruction process.)

\_\_\_\_\_ yes \_\_\_\_\_ no

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14. Current FRR/BEER Control Persons:

Primary \_\_\_\_\_

Phone: \_\_\_\_\_

Email address: \_\_\_\_\_

Secondary \_\_\_\_\_

Phone: \_\_\_\_\_

Email address: \_\_\_\_\_

15. Review conducted by: \_\_\_\_\_

Name

\_\_\_\_\_

Date

\_\_\_\_\_

Telephone Number

Reference: DSS Administrative Letter No. Economic Independence (Work First and Food Stamps) 04-2002/DSS Administrative Letter No. Adult and Family Services 02-2002/DMA Administrative Letter No. 16-02

DSS Administrative Letter No. Economic Independence (Work First and Food Stamps) 04-2002/DSS Administrative Letter No. Adult and Family Services 02-2002/DMA Administrative Letter No. 16-02 Addendum 1

Revised 12/11/2003

## LOG FOR ACCESS TO FRR/BEER REPORTS

REPORT DATED	PAGES	WORKER NAME	DIST #	PROGRAM (MA/FS/WF/SA)	DATE OUT	DATE RETURNED
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# ATTACHMENT VI

\_\_\_\_\_ COUNTY  
DEPARTMENT OF SOCIAL SERVICES

\_\_\_\_\_  
Date Mailed

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear \_\_\_\_\_

During a routine review of your case, it has come to our attention that you may have income or resources from a financial institution that we are unaware of. In order to determine your continuing eligibility for assistance, we must verify this information. Please provide us with the name of the financial institution and the account information.

Please sign this form and return it with your account information in the self-addressed envelope by \_\_\_\_\_.

If you have any questions, please call me at \_\_\_\_\_.

Sincerely,

Income Maintenance Caseworker

Name of Institution \_\_\_\_\_

Account Number \_\_\_\_\_

How long have you had this account? \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

# ATTACHMENT VII

## Inspection or Disclosure Limitations

Unauthorized inspection or disclosure, printing, or publishing of any Federal return or return information, or any information therefrom, may be punishable by fine or imprisonment and in the case of Federal officers or employees, dismissal from office or employment. See section 7213 and 7213A of the Internal Revenue Code and 18 U.S.C. section 1905. In addition, Code section 7431 provides for civil damages for unauthorized inspection or disclosure of such information.

### Disposition Instructions

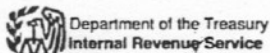
#### *Copies of Tax Returns, Related Documents, Abstracts, and Transcripts:*

1. Copies provided, together with any additional copies made by the requester, must be returned to the furnishing IRS office unless specific arrangements have been made for their retention in accordance with Code section 6103(p)(4).

2 Retained copies, other than those that are made part of an official hearing or trial record, must be destroyed after they have served their purpose by shredding, burning, or other process that will render the copies unintelligible.

#### *Magnetic Tapes*

Tapes should be degaussed after they have served their purpose.



Notice 129 (Rev. 12-97)  
Catalog Number 45546L

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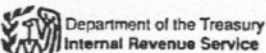
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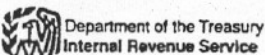
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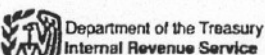
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## ATTACHMENT VIII

### **“Return”**

The term “return” means any tax or information return, declaration of estimated tax, or claim for refund required by, or provided for or permitted under, the provisions of this title which is filed with the Secretary by, on behalf of, or with respect to any person, and any amendment or supplement thereof, including supporting schedules, attachments, or lists which are supplemental to, or part of the return filed.

### **“Return Information”**

The term “return information” means:

- A. A taxpayer’s identity, the nature, source, or amount of his income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax withheld, deficiencies, over assessments, or tax payments, whether the tax payer’s return was, is being, or will be examined or subject to other investigation or processing, or any other data, received by, recorded by, prepared by, furnished to, or collected by the Secretary with respect to a return or with respect to the determination of the existence, or possible existence, of liability (or the amount thereof) of any person under this title for any tax, penalty, interest, fine, forfeiture, or other imposition, or offense, AND
- B. any part of any written determination or any background file document relating to such written determination [as such terms are defined in section 6110(b)] which is not open to the public inspection under 6110, but such term does not include data in a form which cannot be associated with, or otherwise identify, directly or indirectly, a particular taxpayer. Nothing in the preceding sentence, or in any other provision of the law, shall be construed to require the disclosure of standards used or to be used for the selection of returns for examination or data used or to be used for determining such standards, if the Secretary determines that such disclosure will seriously impair assessment, collection, or enforcement under the internal revenue laws.

### **“Taxpayer Identity”**

The term “taxpayer identity” means the name of a person with respect to whom a return is filed, his mailing address, his taxpayer identifying number (as described in section 6109) or combination thereof.

### **“Inspection”**

The terms “inspected” and “inspection” mean any examination of a return or return information.

### **“Disclosure”**

The term “disclosure” means the making known to any person in any manner whatever a return or return information.